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New York

President: The Hon. Julian R. Hunte ..... (Saint Lucia)

The meeting was called to order at 3 p.m.

Agenda item 14 (*continued*)

Report of the International Atomic Energy Agency

Note by the Secretary-General transmitting the report of the International Atomic Energy Agency (A/58/312)

Draft resolution (A/58/L.10)

Mr. Zarif (Islamic Republic of Iran): Allow me, at the outset, to express our gratitude to Mr. Mohamed ElBaradei, for his tireless efforts and for his report to the General Assembly, in which he has provided additional information on the main developments in the activities of the International Atomic Energy Agency (IAEA) during 2002.

The objectives of the International Atomic Energy Agency, as set out in article II of its statute, include the Agency's seeking to

> "accelerate and enlarge the contribution of atomic energy to peace, health and prosperity throughout the world."

That objective emanates from an important pillar of the non-proliferation regime enshrined in legally binding provisions of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). In accordance with article IV of the Treaty, States parties undertook to facilitate the fullest possible exchange of equipment, materials and scientific and technological information for the peaceful uses of nuclear energy. Indeed, the inalienable right of all States parties to nuclear technology for peaceful purposes without discrimination constitutes the very foundation of the Treaty.

This inalienable right in itself emanates from two broader propositions. First, scientific and technological achievements are a common heritage of mankind. They must be used for the improvement of the human condition and not abused as instruments of terror and domination. The IAEA, in its resolution GC(43)RES/14 of 1 October 1999, has recognized that "many countries consider nuclear power, being a climatically benign source of energy, to be an eligible option under the Clean Development Mechanism of the Kyoto Protocol." In this context, the IAEA General Conference requested the Director General to pursue efforts to strengthen the technical cooperation activities of the Agency aimed at improving the scientific, technological and regulatory capabilities of developing countries and by continuing to assist them in first, the peaceful applications of atomic energy and nuclear techniques in the fields of inter alia food and agriculture, human health, industry, water resource management, and environment; and secondly, in nuclear energy production for those States pursuing it as a component of their energy mix in the twenty-first century.

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My delegation welcomes the report of the Director-General in which he has outlined the activities of the Agency in these important areas.

The second general proposition is the requisite balance between rights and obligations, which is the basis of any sound legal instrument. This balance guarantees the longevity of the legal regime by providing incentives for membership and compliance. The provisions of the NPT and IAEA Statute on the right to nuclear technology and the imperative of cooperation and sharing of the technology among those who have accepted the obligations of non-proliferation testify to the wisdom and understanding of the drafters. However, in practice, we must guard against further entrenchment of the impression that membership in the NPT and the IAEA safeguard regime in fact constitutes an impediment to peaceful use, while non-membership is rewarded by acquiescence, as in the case of the development of one of the largest stockpiles of nuclear weapons in the Middle East. If anything, failure to accept the NPT and the safeguard obligations of IAEA should have made the only outsider to the NPT in the Middle East the subject of most severe restrictions and not provide it with impunity.

The international community as whole has a right to be assured that the nightmare visited upon the people of Hiroshima and Nagasaki will never happen again. The only guarantee of this, obviously, is the total elimination of nuclear weapons, as stipulated by the NPT and the advisory opinion of the International Court of Justice. But as an interim measure, the international community must take all necessary steps to ensure the universality of the non-proliferation regime and the IAEA safeguard mechanisms. The IAEA can play a decisive role through vigorously pursuing a balanced and non-discriminatory application of the provisions of the NPT and IAEA safeguards.

Yet it must be emphasized that arbitrary and often politically motivated limitations and restrictions will only impede the ability of the IAEA to conduct its verification responsibilities in an orderly fashion. The logic is simple: such restrictions will not lead to the targets' abandoning of their inalienable right to nuclear technology and accepting marginalization in this important field of human achievement. In all likelihood, it will lead, as it has, to acquisition of the same peaceful technology from unofficial channels and in a less than fully transparent fashion, thus exacerbating mutual suspicions and mistrust.

Like all other members of the NPT, Iran considers the pursuit and development of nuclear technology for peaceful purposes to be its inalienable right, and has thus invested extensive human and material resources in the field. At the same time, as repeatedly stated, nuclear and other weapons of mass destruction have no place in Iran's defence doctrine, not only because of our commitment to our contractual obligations under the NPT and other relevant conventions, but in fact because of a sober strategic calculation.

Yet, illegitimate sanctions have targeted not only Iran's legitimate nuclear programme but in fact the entire industry and all possible sources of supply of material and equipment. What Iran has been able to achieve is primarily the result of the intellect and hard work of Iranian scientists. Regrettably, a politically charged atmosphere of concern was orchestrated concerning this limited peaceful capability, an atmosphere that has little to do with the objectives of non-proliferation.

Following consultations with the Director General of the IAEA and the Foreign Ministers of Britain, France and Germany, possibilities for a different approach emerged, an approach in which Iran's right to peaceful use was recognized and future cooperation in the area of material and technology through confidence-building and transparency promised to replace the past practice of limitations and denials.

Iran therefore decided to take yet other measures in order to remove any doubts about its intentions and to set the stage for mutual confidence and cooperation. On 23 October, we provided a full and consistent picture of Iran's activities in the past, which will certainly enable the Agency to verify not only that all Iranian activities are exclusively in the peaceful domain, in compliance with the NPT, but also that necessary corrective measures have additionally been taken in order to meet every technical requirement of the safeguard system. This will enable us to put the past behind us, to put to rest all the concerns, misplaced as they may have been from the beginning, from our perspective.

As further confidence-building measures for the present, Iran has voluntarily decided to suspend uranium enrichment activities, sign the Additional Protocol and continue to cooperate with the IAEA in

accordance with the Protocol, pending its ratification, which will have to be done by the Iranian parliament.

We continue in this trend and are pleased to see that this process has begun to bear fruitful results. We expect that, as we proceed on this track, reciprocal satisfaction of commitments in good faith will open yet further horizons for confidence and cooperation.

Mr. Aboul Gheit (Egypt) (*spoke in Arabic*): I wish to express the Egyptian delegation's appreciation for the statement of Mr. ElBaradei, Director General of the International Atomic Energy Agency (IAEA). The statement highlighted the Agency's distinguished contribution to main activities during 2001-2002 and informed us of major future challenges that we must be prepared to face.

While Egypt recognizes the Agency's tangible contribution to the system of safeguards and verification and to enhancing sustainable development activities through the transfer of technology, know-how and technical cooperation, we also wish to commend the effort made during the past two years to update and develop a technical cooperation strategy to serve the developmental priorities of member States and to define vital activities, to which the Agency will contribute concretely in the near future. Hence, the importance of achieving stability and certainty in financing the Agency's activities in the fields of technical cooperation and technology transfer, as those activities are among the pillars of the organization's work, inasmuch as they contribute directly to enhancing the well-being of peoples, particularly in the developing countries.

On that basis, Egypt has participated in and contributed to achieving consensus on the Agency's programme budget for the 2004-2005 biennium because we are convinced of the need to realize a real increase in budget resources in a way that will ensure that the Agency's secretariat can carry out its responsibilities, as stipulated by its Statute, particularly in the field of the peaceful uses of nuclear energy and in enhancing the regime of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). At the same time, we are conscious of the need to strike a balance between the various activities of the Agency, particularly those related to safeguards and technical cooperation and the need to ensure that the resources for technical cooperation will be sufficiently stable and predictable.

Undoubtedly, increasing the Agency's budget by up to 6 per cent would reflect member States' appreciation for the importance of its work and activities in the area of nuclear non-proliferation and nuclear technology transfer for peaceful uses and for the realization of the goals of sustainable development.

With regard to verification and safeguards activities, we take note of the efforts made by the IAEA secretariat to complete the conceptual framework of integrated safeguards. At the same time, we reaffirm that the effectiveness of safeguards will not be achieved unless we attain universal application of comprehensive safeguards. We take this opportunity to reiterate once again that, without continuing efforts to realize universal application of the Agency's comprehensive safeguards, any efforts to enhance the safeguards regime will not yield results in terms of eliminating threats of nuclear proliferation. Comprehensive safeguards constitute the major pillar of the nuclear non-proliferation regime and it is therefore important to work to achieve their universal application.

Egypt has put forward a number of initiatives at the regional and international levels to face threats stemming from nuclear proliferation. For more than a quarter of a century we have called for the establishment of a nuclear-weapon-free zone in the Middle East. President Hosni Mubarak has also called for the establishment of a zone free of all weapons of mass destruction in the Middle East. Egypt, through the IAEA, calls for the implementation of the Agency's comprehensive safeguards on nuclear installations in the Middle East region, without discrimination.

Despite all the initiatives to achieve security and stability in the countries of the region, Israel, one of the countries of the region, has shown no desire to interact seriously to deal with the threat of nuclear proliferation in the Middle East. It continues to refuse to make progress in applying the comprehensive safeguards of the Agency to all its nuclear installations. This affects adversely efforts aimed at confronting the nuclear non-proliferation issue in general, and in the Middle East in particular.

This situation imposes a double responsibility on the international community to eradicate and eliminate all threats to international peace and security stemming from nuclear proliferation, and to endeavour to

implement the Agency's comprehensive safeguards in the entire Middle East region.

With regard to nuclear security, the events of 11 September 2001 have underscored the dire need to enhance and strengthen the Agency's activities and programmes to protect nuclear material and installations and other radioactive material from the threat of nuclear terrorism. Egypt considers that, as long as nuclear material not subject to any international monitoring or verification controls exists, then the threats and risks of such materials falling into the hands of terrorists will continue to exist.

Egypt has participated effectively in the Agency's efforts to develop a perception concerning proposed additional activities and measures to protect against nuclear terrorism. Egypt considers that an ideal implementation of the Agency's proposed activities must include a number of basic criteria, including that such activities not be a substitute for national measures and that they not lessen the responsibility of countries in dealing with security-related matters. Another criterion is that the activities should be financed through a voluntary mechanism. In that context, Egypt hopes that proposed additional measures and activities in this area will supplement technical cooperation programmes and activities without detracting from them.

We call for the experts' panel established by the IAEA Director General to carry out and complete its work as quickly as possible.

We reaffirm once again that our position on the production of fissile material is based on the fact that all nuclear material, including stockpiles, should be subjected to the safeguards and verification regime, which must be in keeping with the objectives of any convention concluded in this regard.

In conclusion, I would like to confirm that Egypt will always support the activities of the IAEA and will strengthen its capabilities to face future challenges in this context. We thank once again Mr. ElBaradei, Director General of the IAEA, for all his efforts towards realizing the purposes and principles of the Agency.

Mr. Kim Sam-hoon (Republic of Korea): My delegation also thanks Mr. ElBaradei, Director General of the International Atomic Energy Agency (IAEA), for his informative report on IAEA activities. We also commend the Director General and his staff for the dedication and professionalism with which they continue to carry out their responsibilities.

The Republic of Korea attaches the utmost importance to the work of the Agency and actively participates in all areas of its activities. The Agency's role in verifying the non-proliferation commitments of States parties to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and other bilateral and regional non-proliferation arrangements is instrumental to the maintenance of international peace and security.

The past year has been a time of unprecedented challenges for the global nuclear non-proliferation regime based on NPT. Accordingly, it has been a trying year for the IAEA. The Agency's ability to perform its duties as the guardian of the non-proliferation regime has been sorely tested. North Korea and Iran present the most pressing proliferation concerns for the international community today. We believe that the Agency has thus far dealt with these two cases in a most appropriate and professional manner. However, there is still a long way to go, if the spectre of proliferation on these two fronts is to be eliminated once and for all. How these concerns are resolved will have a decisive bearing on the future of the nuclear non-proliferation regime, as well as the broader international security landscape.

With respect to the North Korean nuclear issue, we believe that resolution GC(47)/RES/12 adopted by the forty-seventh regular session of the IAEA General Conference last September, conveys the clear message of the international community. We reiterate our position that Pyongyang's nuclear weapons programme cannot be tolerated under any circumstances and that there is no substitute for North Korea's complete, irreversible and verifiable dismantling of its nuclear weapons programme. The Republic of Korea is committed to a diplomatic and peaceful resolution of the issue through the Six-Party Talks. We look forward to an early resumption of and smooth progress in the Talks.

Turning to Iran's nuclear issue, we welcome Iran's recent decision to cooperate with the IAEA and its intention to sign the Additional Protocol as a significant step in the right direction. We also take positive note of Iran's decision to voluntarily suspend all uranium enrichment and reprocessing activities. In our view, regaining the confidence of the international

community in Iran's sincere commitment to non-proliferation is central to the resolution of all outstanding concerns about Iran's nuclear programme. However, this may take more than Iran's technical compliance with its legal obligations under NPT and the safeguards agreement.

Nuclear terrorism is another challenge that requires the resolute and coordinated response of the international community. We support a comprehensive nuclear security approach with a view to preventing nuclear and other radioactive materials from falling into the wrong hands. We recognize the Agency's central role in coordinating international efforts to combat nuclear terrorism, and we appreciate its contributions to providing training, advisory services and databases in the area of nuclear security. My Government looks forward to a timely conclusion of the amendment to the Convention on the Physical Protection of Nuclear Material under the auspices of the IAEA.

The recent challenges to the global non-proliferation regime have demonstrated the inherent limitations of the existing regime and the inadequacies of legalistic approaches alone in dealing with determined proliferators. The Agency should be better equipped with both the resources and the strengthened mandate necessary to deal with challenges from multiple sources. To this end, we attach great importance to strengthening the existing safeguards system through the universalization of the Additional Protocol.

My Government has recently completed its domestic preparations for the implementation of the Additional Protocol. We expect that the ratification process will be completed by the end of this year. We also underscore the vital role of the export control regimes led by the Nuclear Suppliers Group and the Zangger Committee in supplementing the NPT system.

The Republic of Korea strongly supports the Agency's work in the promotion of the peaceful uses of nuclear energy and its applications through its technical cooperation programme and its normative activities to enhance global nuclear safety standards. We agree with Director General ElBaradei's view that nuclear power, which currently meets about 16 per cent of the world's demand for electricity, remains the only energy source that can supply electricity on a large scale with minimal impact on the environment. We encourage the Agency to enhance its role in promoting wider recognition of the potential that nuclear power holds for sustainable development.

The Republic of Korea views the promotion of peaceful uses of nuclear energy, particularly in the area of power generation, as an integral part of its sustainable development strategy. Our 18 nuclear power reactors currently in operation meet more than 40 per cent of our electricity demand. If the same amount of electricity were generated by coal-fired power plants, our total greenhouse gas emissions would be at least 20 per cent higher than they are now. We are ready to share our own experiences with respect to the planning, construction and operation of nuclear-power plants with all countries in good standing under the NPT.

Before concluding, I would like to draw the attention of the IAEA member States to resolution GC(43)/RES/19, adopted by the 43rd IAEA General Conference in 1999. That resolution approved the amendment to article VI of the Agency's Statute to expand the membership of the Board of Governors from 35 to 43.

Four years have passed since the amendment to the Statute was approved by the General Conference, yet we note that only 34 of the 137 IAEA member States have so far ratified the amendment. We believe that the expansion of the Board membership will make the composition of the Board more representative of the underlying international realities and thus will strengthen the authority, effectiveness and relevance of the Agency in dealing with the new challenges the Agency faces today. The Republic of Korea therefore calls upon all member States of the IAEA which have not yet done so to ratify the amendment without further delay, so that it may come into effect at the earliest possible date.

Mr. Konuzin (Russian Federation) (*spoke in Russian*): the Russian Federation extends its greetings to the Director-General of the International Atomic Energy Agency (IAEA), Mr. ElBaradei, and thanks him for introducing the annual report of the Agency.

Russia is an active member of the IAEA. We are satisfied with the Agency's work and recognize the growing importance of its role in strengthening the international regime governing non-proliferation of nuclear weapons and in ensuring the required level of confidence for cooperation in the peaceful uses of

atomic energy and for developing safe nuclear-power production.

We wish to reaffirm that there is a need further to strengthen and enhance the efficiency of the IAEA safeguards system as the basis for the nuclear-weapon non-proliferation regime.

The terrorist acts that have taken place in Russia, the United States and other countries; the recent dramatic developments in the Middle East; and the critical situation in Iraq are clear demonstrations of the danger posed by international terrorism to the entire world community. This requires that we strengthen our efforts to establish a global system to counter new challenges and threats, including nuclear ones.

The Treaty on the Non-Proliferation of Nuclear Weapons (NPT) has a key role to play in ensuring international security. It is our hope that preparations for the 2005 NPT Review Conference will help to consolidate the positions of as many States as possible in favour of the main goals and objectives of that Treaty.

The Russian-American Strategic Offensive Reductions Treaty, which has now entered into force, was an important contribution on the part of Russia to the strengthening of strategic stability and was evidence of Russia's compliance with its obligations under the NPT. We are convinced that the Treaty goes beyond the framework of bilateral relations and meets the interests of all countries.

Mr. Alexandre (Haiti), Vice-President, took the Chair.

We believe that one substantial element of nuclear disarmament is the disposition of excessive weapons-grade materials and the reduction of nuclear weapons. We are implementing the agreement between the Governments of the Russian Federation and the United States of America of 18 February 1993, which dealt with the disposition of highly enriched uranium extracted from nuclear weapons.

We support the IAEA Project on Innovative Nuclear Reactors and Fuel Cycles, which is being implemented under the auspices of the Agency and within the context of the General Conference's resolution, adopted in 2000, on strengthening the Agency's activities related to nuclear science, technology and applications. That Project is a practical step towards implementation of the initiative by the President of the Russian Federation, Mr. Putin, which was announced at the Millennium Summit, on developing proliferation-safe nuclear technologies.

We note also that in September, the IAEA General Conference approved the resolution proposed by Russia on the Agency's activities in this area. Recently Russia has been devoting increasing attention to research and development on new nuclear technologies. In accordance with our strategy for nuclear-power development in Russia in the first half of the twenty-first century, we have initiated a number of innovative projects using thermal reactors and fast neutron reactors. The goal is to address, inter alia, the issue of how to ensure the safe use of weapons-grade and energy plutonium and of how to prepare for the transition to a totally closed fuel cycle.

Let me turn now to some aspects of the Agency's activities on which the international community's attention has been focused. We are following developments related to Iran's nuclear programme, and we welcome the steps taken by that country to develop a dialogue with the IAEA in order to resolve pending issues.

We appreciate the work being done now by Tehran and by IAEA experts, which represents progress in the right direction. We believe that in future any problem between the IAEA and Iran should be resolved through cooperation.

It is our expectation that Iran will fully comply with the provisions of the September resolution adopted by the IAEA Board of Governors. We believe that that resolution offers a work plan for the IAEA and Iran to clarify pending issues as soon as possible. We hope that by the next meeting of the Board of Governors, substantial progress will have been made in the implementation of those measures contained in the September resolution, and it is our hope also that this matter will be shifted back from political debate to the more routine track of work between the Agency and a member State.

We welcome Iran's declared readiness to sign the protocol additional to safeguards agreements with the Agency and to refrain from operations involving sensitive elements of the nuclear fuel cycle, especially uranium enrichment experiments. We regard these decisions as a major step forward by the Iranian leadership. It is our feeling that, today, the issue of Iran's nuclear programme is excessively politicized.

We hope that it will be possible to move it back within the area of regular International Atomic Energy Agency (IAEA) inspection activities.

At present we see no reason to reduce our cooperation with the Islamic Republic of Iran in the nuclear field, which is fully transparent and does not violate international obligations, either those of Russia or of Iran.

As to the nuclear programme of the Democratic People's Republic of Korea, we would like to say that Russia has made political and diplomatic efforts with a view to an early resumption of talks to settle the North Korean nuclear problem within the six-party format. We welcome the agreement, in principle, on a new round of multilateral talks within the framework of the Beijing process. A comprehensive solution must be found to this problem, which should include measures to make the Korean Peninsula a non-nuclear area, stop Pyongyang's military nuclear programme, get the Democratic People's Republic of Korea back into the Non-Proliferation Treaty (NPT) and into cooperation with the IAEA, and take due account of the legitimate interests of the Democratic People's Republic of Korea by, for example, guaranteeing its security and creating a favourable environment for its normal economic development. We consider Pyongyang's decision to withdraw from the NPT reversible.

In conclusion, let me express our support for the consensus resolution on the IAEA report drafted by our Spanish colleagues. Russia appreciates the work done by the IAEA and is a sponsor of the draft resolution (A/58/L.10).

May I also take this opportunity to invite representatives of the Member States to the meeting being held to address United States-Russian non-proliferation measures to meet global security challenges that will be co-hosted by the Russian Minister of Atomic Energy, Mr. Rumyantsev, and United States Secretary of Energy, Mr. Abraham. The meeting will be held in the Economic and Social Council Chamber at 4 p.m. on 5 November.

Mr. Akram (Pakistan): I join other speakers in extending our gratitude to our dear friend Mr. ElBaradei for presenting the annual report of the International Atomic Energy Agency (IAEA). The dynamic leadership provided by Mr. ElBaradei is emblematic of the commendable work being performed by the Agency, at times in very difficult circumstances.

The IAEA is a unique international forum whose statutory obligations are designed for promoting development through the peaceful uses of nuclear energy. Its technical expertise is unmatched, and its goals and objectives are equitable.

The fast depletion of fossil resources has revived the demand for nuclear energy. We are encouraged to see that the Agency's report has highlighted the growing demand for nuclear energy during 2002. The pace of the construction of various reactors, especially in Far East and South Asia, could be further increased if States were not subjected to undue restrictions. With innovative technologies, safe nuclear power plants are a reality and could be constructed in energy deficient countries. In this regard, the IAEA's role in the transfer of safe technology to developing countries has assumed added significance. We hope that the Agency will formulate a comprehensive policy for this purpose.

The Agency's development role has been duly acknowledged in the World Summit on Sustainable Development as promoting specific action for sustained energy development through peaceful uses of nuclear energy. Additionally, the Agency's role in the promotion of the linkages between peace, economic growth and technology needs to be emphasized.

The safety and verification aspects of the IAEA mandate remain import pillars of the Agency's mandate. The Agency has initiated action with regard to the safety of nuclear materials. There is a need to focus attention on securing so-called "orphan" sources of such materials, which pose an immediate danger of falling into the wrong hands. The Agency's report highlights this aspect and we fully agree with the remedial measures that have been suggested.

As regards the strengthening of the Agency's safeguards system, Pakistan believes that the maintenance of a proper balance between the promotional aspect and safety and security related concerns of the Agency's functions is essential. The Agency's safeguards should not be used to serve partisan political objectives. Its verification regime can remain credible only if it is applied on a non-discriminatory basis, as stipulated by the Agency's Statute.

The Government of Pakistan attaches the highest importance to the IAEA's Technical Cooperation Programme, which offers unique opportunities to developing countries. In view of Pakistan's limited

fossil fuel resources, nuclear power generation has become an indispensable element of our national energy strategy. We are also extremely sensitive to the risk of industrial pollution expected as a result of our economic growth. This obligates us to promote nuclear power generation in the coming years. Pakistan's excellent operational and safety record for its two nuclear power plants and the existence of a reliable infrastructure have encouraged us to acquire another nuclear power station similar to the Chashna Nuclear Power Plant.

Pakistan's future nuclear power generation activities will not be limited merely to the installation of more power plants, but extend to the utilization of some of these facilities for the powering of desalination plants. We are working on a first demonstration desalination unit at the Karachi Nuclear Power Plant. Pakistan is also applying nuclear science for the development of agriculture, health and wasteland reclamation. We appreciate the growing cooperation between the Pakistan Atomic Energy Commission and the IAEA in these fields. Pakistan is also interested in playing a serious role in international efforts to promote the International Project on Innovative Nuclear Reactors and Fuel Cycles, to enable Pakistan to benefit from safe, cost effective and proliferation-resistant nuclear power plants in the future.

We are highly sensitive to the safety and security of our nuclear installations, particularly when Pakistan is extending its nuclear power generation for economic development. We have successfully established a strong safety culture in our nuclear activities and are adhering diligently to the principles of the Convention on Nuclear Safety. We have further strengthened security measures around our nuclear installations to avoid any possibility of nuclear terrorism or of illicit trafficking of nuclear material. Our active participation in the Agency's initiative to strengthen the Convention on the Physical Protection of Nuclear Material will be continued.

We all have great expectations from the IAEA in the promotion of socio-economic development of its member States. The Agency's technical cooperation requires a reassessment of its current framework whereby it can render assistance to member States on a non-discriminatory and equitable basis. The following measures can help in enhancing the Agency's cooperative role. First is the need to preserve the technical nature of the IAEA and to ensure its functioning according to its statutory mandate, without any politicization of its agenda. Second is the imperative of maintaining balance between the Agency's promotional aspects and its functions related to verification, safety and security. Third is the significance of the Agency's technical cooperation activities and the role that those activities can play in assisting in the development and practical application of atomic energy for peaceful uses and in technology transfer to developing countries. Fourth is the provision of more assured resources for technical cooperation activities, technology transfer and training facilities for developing countries. And fifth is greater involvement by developing countries in the design and implementation of technical cooperation projects, as well as increased outsourcing to developing member States for technical cooperation programmes.

Finally, we are pleased that this year's draft resolution on the IAEA report has taken into account the concerns of all Member States. The new text excludes the controversial elements that have impeded the adoption of a consensus resolution on the subject in the past. We have joined the consensus, and we would be pleased to be a sponsor the draft resolution.

Mr. Motomura (Japan): On behalf of the Government of Japan, I should like to express my gratitude to Mr. Mohamed ElBaradei, Director General of the International Atomic Energy Agency (IAEA), for his statement as well as for preparing the report of the Agency, contained in document A/58/312.

The regime of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) has been a key element in world peace and stability, and serves the common interest of all of us. In the light of the current situation, I should like to reaffirm my country's unshakeable commitment to the NPT regime.

Japan's basic atomic energy law strictly limits the use of nuclear energy to peaceful purposes. Japan, the only country to have suffered nuclear devastation, firmly adheres to the long-standing policy of the three non-nuclear principles. Those principles state that we will not possess or produce nuclear weapons or permit the introduction of such weapons into Japan. That policy will not change: Japan will never possess nuclear weapons. Japan will fulfil its obligations under its safeguards agreement with the IAEA and its Additional Protocol to attain full transparency in its

nuclear activities, including the utilization of plutonium.

The peaceful, appropriate use of nuclear energy greatly contributes to the welfare of mankind and to social and economic development worldwide. It also minimizes the burden on the environment. The nuclear energy option is therefore of vital importance for mankind. Under the present circumstances — in which challenges to the NPT regime and to the IAEA safeguards have surfaced — the IAEA's activities for the purpose of strengthening and promoting the peaceful use of nuclear energy and non-proliferation are all the more relevant and noteworthy.

In view of recent challenges to the NPT regime, the IAEA safeguards system must be strengthened. To that end, we must promote universalization of the Additional Protocol. Currently, 78 States have signed that Protocol, but only 37 of them, including Japan, have brought it into force. Those figures are far from satisfactory. My Government would like to request countries that have not yet done so to sign and conclude the Additional Protocol.

In cooperation with the IAEA, the Japanese Government hosted in Tokyo last December the International Conference on Wider Adherence to Strengthened IAEA Safeguards. The Tokyo Conference — which aimed to consolidate the outcomes of the preceding regional seminars — was very successful, with 82 participants from 36 countries throughout the world. The participants reaffirmed the importance of the Additional Protocol, and the Chairman's summary of the Conference put forth a series of proposed actions to encourage adherence to the Additional Protocol. In keeping with the outcomes of the Conference, we shall continue to undertake efforts aimed at universalization of the Additional Protocol, building on our extensive experience in its implementation.

Since the terrorist attacks on 11 September two years ago, nuclear security has become an important issue for the international community. The IAEA plays a vital role in this area. It is worth noting that participants in the International Conference on Security of Radioactive Sources, held in Vienna last March, agreed on the importance of the security of radioactive sources in the context of the fight against nuclear terrorism. Moreover, at the Group of Eight (G-8) Evian Summit, held this year, the G-8 leaders reached an agreement on a statement and an action programme for securing radioactive sources. Japan, as a member of the G-8, continues to take appropriate measures in that area and also expects the international community to work on improving the management of radioactive sources and to support the IAEA's role in that regard.

The North Korean nuclear issue has heightened international tension since October last year. It is regrettable that North Korea remains in non-compliance with its safeguards agreement with the Agency and is proceeding with nuclear weapons development. That is a very serious issue for the peace and stability not only of the region, but also of the international community as a whole.

The basic positions of my Government with regard to the North Korean nuclear issue are as follows. First, North Korea's development of nuclear weapons and its possession and transfer of such weapons are totally unacceptable. Secondly, North Korea must come into compliance with all international obligations related to the nuclear issue, including the NPT. Thirdly, North Korea must immediately dismantle its nuclear weapons programme and its nuclear development programme in a complete, verifiable and irreversible manner.

My Government aims to achieve a peaceful and diplomatic solution of the nuclear issue through the process of the six-party talks. My Government urges North Korea to take positive and responsible measures aimed at resolving that issue. Japan believes that the IAEA can play an important role in the verification of the North Korean nuclear issue, and we shall continue to support the Agency's efforts for the peaceful solution of this matter.

As regards the recent decisions made by the Iranian Government on its nuclear programme — which are for the most part in line with the requirements enumerated in the September IAEA Board of Governors resolution — Japan views such developments as a positive step. It is important, however, that Iran act in accordance with its own decisions and also that it comply fully with the IAEA Board of Governors resolution. Japan will be closely watching Iran's actions, and we shall pay close attention to the upcoming report by the Director General, while cooperating closely with the international community and the IAEA in the efforts to resolve this issue.

In closing, I should like to reiterate my Government's strong commitment to and support for the activities of the IAEA so that it may fulfil its noble mission under the leadership of its Director General.

Mr. Oyugi (Kenya): Allow me to commend the President on behalf of my delegation for the able manner in which he has continued to guide the deliberations of the Assembly. I wish to reassure him of my delegation's support and cooperation.

I also wish to commend the Director-General of the International Atomic Energy Agency, Mr. Mohamed ElBaradei, for his comprehensive report for the year 2002 and the additional information on the major activities of 2003.

Kenya has been, and continues to be, a firm supporter of the Agency's endeavours to strengthen the non-proliferation regime and the peaceful use of nuclear energy in the context of sustainable development. I would like to express the support and commitment of the new Government of Kenya to the indispensable contribution that the Agency continues to make in these important fields.

My delegation attaches great significance to the Agency's cardinal responsibility to provide Member States with definitive and independent assurances on the safety and proper use of all nuclear materials around the world, in accordance with international obligations and commitments. In that regard, I would like to express my delegation's satisfaction with the Agency's conclusion that, in the main, all nuclear materials and other items placed under safeguards remained consigned to peaceful activities and were adequately accounted for during 2002.

Nuclear non-proliferation, as enshrined in the Non-Proliferation Treaty (NPT), goes beyond requiring States to relinquish their right to develop nuclear weapons: it is also about requiring those States already in possession of nuclear weapons to give them up. The commitment on nuclear disarmament given by the nuclear-weapon States at the NPT Review Conference of 2000 ought therefore to be respected. Calls by nuclear-weapon States for other States to abandon their nuclear ambitions would carry more weight and moral authority if they were accompanied by their own demonstration of greater commitment to nuclear disarmament.

It is disappointing that some nuclear-weapon States are instead pursuing research into new types of nuclear weapons and are developing strategic plans to include the possible use of such weapons. Those developments are a serious affront to the NPT commitments and grossly undermine efforts at achieving the universality of the Non-Proliferation Treaty. My delegation is equally disheartened that the latest Article XIV Conference of the Comprehensive Nuclear-Test-Ban Treaty (CTBT) held in Vienna in September 2003 ended without any significant progress towards ratification of the Comprehensive Nuclear-Test-Ban Treaty by the remaining Annex II countries, yet early entry-into-force of the Treaty was the first of the 13 practical steps to disarmament agreed at the 2000 NPT Review Conference. Pending the entry into force of the Treaty, it is paramount that the moratorium on nuclear-test explosions or explosions of any other nuclear device be maintained.

The Kenya delegation welcomes the Agency's determination, as emphasized in the Director General's report, to continue with the development of the ever-increasing number of peaceful nuclear applications such as sea water desalination, sterile insect techniques, the mutation and breeding of food crops and other applications in the field of nuclear medicine. Those activities, which the Agency has continued commendably to advance within its technical cooperation framework, are of special significance to those of us from the developing countries.

I am pleased to report that valuable achievements have been made in the Agency's technical cooperation activities in Kenya. Current agency activities include the use of nuclear techniques to enhance crop production and improve the diagnosis and control of livestock diseases. For instance, we have been successful in developing an improved variety of wheat that has greater resistance to drought and pests.

One of the greatest obstacles to increased food and agricultural production in sub-Saharan Africa is the tsetse fly infestation and trypanosomiasis. We are therefore pleased that the sterile insect technique (SIT) developed by the Agency, whose effectiveness has already been demonstrated in the eradication of the tsetse fly, has been expanded to several African countries including Kenya. In recognition of the magnitude of the tsetse fly problem, African leaders initiated the Pan-African Tsetse and Trypanosomiasis Eradication Campaign (PATTEC), known as the

PATTEC Plan of Action. It is gratifying to note that the Agency and the PATTEC Coordinating Office within the Commission of the African Union have agreed on modalities for incorporating PATTEC activities in the New Partnership for Africa's Development (NEPAD) agenda.

The Agency's human health programme in Kenya includes the improvement of the national healthcare delivery system, particularly in the area of diagnostics and radiotherapy. We shall soon be requesting the Agency to consider new project proposals for assistance in establishing two radiotherapy centres, which would benefit patients in rural areas. In the light of the demonstrated success of the sterile insect technique in tsetse eradication, we are confident that the inauguration of the SIT research project on the eradication of malaria-causing mosquitoes at the Agency's Seibersdorf laboratory will play a leading role in the Roll Back Malaria Programme.

Kenya is also involved with the Agency in the implementation of a regional project in the water sector on isotope hydrology integration. The project aims at redressing water inadequacy in our region through the application of nuclear techniques. We believe that the Agency is well endowed to make a greater contribution towards providing durable solutions in this field.

The flourishing of peaceful nuclear techniques in the twenty-first century calls for a stringent safety culture as an indispensable component of any successful peaceful nuclear technology programme. My delegation is therefore appreciative of the Agency's support, within the model project on radiation protection infrastructure, given to the Kenya Radiation Protection Board to improve radiation safety. The Agency has provided support in the form of equipment for the Radiation Protection Board and in the establishment of a system for occupational exposure control. The Government is also in the process of revising the Radiation Protection Act in order to make it basic-safety-standard compliant.

As Kenya and, indeed, many developing countries continue to integrate modern nuclear techniques in technological development, the need for highly competent personnel in nuclear science assumes greater significance. We therefore appreciate the Agency's efforts to provide training opportunities for our scientists, and we encourage the Agency to widen cooperation in that important area of human resource development. We also note with pleasure the launch of the World Nuclear University, and it is our hope that this initiative will go a long way towards redressing the problem of the shortage of nuclear scientists, particularly in developing countries.

Kenya recognizes the daunting challenges facing the Agency as the only competent and specialized body of the United Nations family charged with the vital role of advancing the peaceful use of nuclear energy. It is a role that the Agency has continued to fulfil admirably. However, the Agency can continue to fulfil that role only if Member States support its work programme by making the necessary financial resources available. It is my delegation's hope that member countries will heed the Director General's call for sustained and predictable funding.

Let me once again thank the Director General of the International Atomic Energy Agency and his staff for their good work over the past year. My delegation is confident that they will continue to meet the challenges ahead with the same professionalism that they have shown to date.

The meeting was suspended at 4.25 p.m. and resumed at 4.45 p.m.

The President returned to the Chair.

Address by Mr. Yoweri Kaguta Museveni, President of the Republic of Uganda

The President: We are honoured to have in the Assembly His Excellency the President of Uganda, who has graciously consented to address us on the issue of "Commodities and development: the experience of Uganda". Mr. President, I welcome you to the General Assembly and express our profound appreciation for your presence here.

The issue you will address is one that the international community has discussed and debated for many years — how to respond to the problems of commodity-dependent economies. This is a particularly critical issue for the overwhelming majority of developing countries. Indeed, the declining and volatile commodity prices, combined with trade policy practices in the developed world, including tariff escalation and tariff peaks, have been among the factors significantly impeding the development efforts of commodity-dependent countries.

It is understandable, therefore, that commodities should and must be a key issue for the United Nations. Your visit here today, Mr. President, not only underscores this, but also provides us with another very important opportunity to spotlight many of the issues concerning commodities.

We have also received invaluable assistance in addressing the commodities issue and in reviewing actions for further progress from the report of the Meeting of Eminent Persons on Commodity Issues. That report is the outcome of the General Assembly's request to the United Nations Conference on Trade and Development (UNCTAD) to convene a Meeting of Eminent Persons, which was held in Geneva on 22 and 23 September 2003. The now completed Eminent Persons report was the subject of discussion at the recent meeting of the UNCTAD Trade and Development Board.

Over the past week, we have had the opportunity to review many of the issues concerning commodities, particularly during the High-level Dialogue on Financing for Development, as well as in the Open-ended Panel of the General Assembly on Commodities, convened on 27 October to consider the report of the Eminent Persons.

We have addressed in a frank and forthright manner issues including dependence on commodities, the impact of the free market on that dependence, the use of commodities as vehicles for investment and speculation in deregulated and free capital markets and the impact of those phenomena on the natural volatility of commodity earnings.

The meeting of Eminent Persons, in particular, has made important recommendations for consideration by the General Assembly in areas including market access, oversupply of commodities, compensatory financing and the strengthening of capacity and institutions. The point has also been made that a long-term solution might be to take a new look at the establishment of an international export diversification fund. Further consideration of the commodities issue is now proceeding in the Assembly's Second Committee.

There is an important message conveyed in the report of the meeting of Eminent Persons and in the discussions of the commodities issue, including by the Open-ended Panel: it is that the time is now overdue for decisive action to be taken to assist commodity-dependent countries in achieving a higher level of growth, employment and income.

All initiatives in the commodities area stand to benefit immensely from the address today by the President of Uganda. Uganda in many ways typifies the experience of commodity-dependent poor countries. It has faced development challenges due to commodity price volatility, a secular decline in commodity prices and the trade policies of the developing world. There are encouraging signs that an environment more conducive to growth and development for Uganda and other commodity-dependent developing countries is now taking shape.

President Museveni is well placed to share with the General Assembly the particular challenges Uganda has faced and continues to face as a commodity-dependent developing country. We would also welcome the President's views on the efforts his Government is making to position Uganda to take full advantage of all available opportunities for growth and development. Mr. President, we very much look forward to the important address you will make to this Assembly.

I now give the floor to Ms. Louise Fréchette, Deputy Secretary-General of the United Nations.

Ms. Fréchette: Let me first join in welcoming President Museveni to the Assembly. It is a real pleasure to have him with us today, and I look forward to his address explaining the experience of Uganda and the very important subject of trade and commodities.

The world economy has gone through enormous changes over the last few decades. But one fact has changed very little: a large number of developing countries remain greatly dependent on the export of primary commodities.

Out of 141 developing countries, 95 depend on commodities for more than half of their export earnings. For 70 of them, those revenues were generated by only three commodities. That makes those countries very vulnerable to price declines and volatility.

And, indeed, commodity prices have declined over the long term, especially after 1980. Between 1980 and 2002, agricultural prices have declined by 47 per cent relative to manufacturing prices, and the prices of metals and minerals have declined by 35 per cent relative to manufacturing prices. For some individual commodities, the price declines are even larger. For

instance, coffee producers now receive roughly a third of the price that prevailed in the mid-1990s.

The price declines can be explained by factors such as little growth in demand, technological advances that have led to synthetic substitutes and oversupply, for example as a result of subsidies or misguided policies.

Needless to say, that has deprived both Governments and the people of developing countries of large amounts of revenue, contributing to poverty and making it more difficult to reach the Millennium Development Goals. For a group of 81 mostly small developing countries, the foreign exchange loss amounted to more than $6 billion per year on average during the period 1995 to 2000, according to one estimate.

Lower export revenues have also endangered the success of the Heavily Indebted Poor Countries Initiative. Eight heavily indebted poor countries have reached the completion point, but some of them have experienced worsening debt indicators owing to lower commodity prices.

Little has been done about these long-standing problems. Old instruments such as contingency lending and buffer stocks have faded into history. Recently, there seems to be, as President Chirac has put it, a conspiracy of silence.

The Monterrey Consensus highlighted the need to mitigate the consequences of low and volatile revenues from commodity exports. Where do we go from here?

First, market access needs to be improved. It is deplorable that cocoa beans enter the major developed markets largely unhindered, while final products can enter only at tariffs of 15 to 30 per cent, with maximum tariffs even higher. The Doha Development Round of trade negotiations should address those issues for all commodities.

Secondly, developing countries themselves can implement policies that reduce their vulnerability. Especially important are medium-term fiscal frameworks, social safety nets and well-managed reserve funds to smooth large swings in public revenues. The latter also improve accountability and transparency in the public management of receipts from the exploitation of natural resource endowments, which in several cases has been a source of conflict.

Thirdly, dormant international financing mechanisms that compensate for fluctuations in export revenues, such as the International Monetary Fund's Compensatory and Contingency Financing Facility, should be revived.

Fourthly, new market-based approaches could be explored. That would include insurance schemes and risk management tools. Technical assistance in this area is needed.

Finally — and perhaps most important of all — is diversification. Many developing countries have made great progress in the diversification of exports, thanks to policy reforms and investments in skills, education, infrastructure and technological capabilities. Uganda, for example, has significantly increased exports of items such as fish and cut flowers. I am sure that President Museveni will provide some valuable insights on his country's efforts.

If we are to have any chance of halving poverty and meeting the Millennium Development Goals by 2015, we need to address the fundamental problem of commodities that many developing countries face. I urge you all to give this issue your urgent attention and thank you for the opportunity to share my thoughts with you.

The President: I now give the floor to Mr. Sha Zukang, President of the Trade and Development Board of the United Nations Conference on Trade and Development.

Mr. Sha Zukang (United Nations Conference on Trade and Development): It is an honour for me to address the Assembly, in my capacity as President of the Trade and Development Board of the United Nations Conference on Trade and Development (UNCTAD), on the very important and pressing issue of commodities.

The difficulties faced by commodity-dependent developing countries has regained centre stage because, over the past two decades, commodities in general have lost more than a half of their purchasing power relative to manufactured goods. That problem is compounded by the endemic volatility in commodity prices, which effectively compromises long-term planning in those countries. According to UNCTAD, the average monthly fluctuations in the prices of bananas, cocoa, cotton, hides and skins, nickel, petroleum, sugar, tea and most vegetable oils have been more than 10 per

cent, which has made it impossible for countries that depend on the export of those products to have a reasonable predictability in their incomes. Moreover, commodities form the backbone for most industries in those countries, with the effect that the collapse in world commodity prices has been accompanied by de-industrialization, with very negative implications for employment and well-being.

Against that background, it is clear that dealing effectively with the problems of commodities is crucial in the quest for sustained economic growth and sustainable development in commodity-dependent developing countries. The objective of achieving the Millennium Development Goals by the year 2015 adds a strong sense of urgency to that task, which should enable us to summon the political will to push the commodity agenda forward.

Last year, the General Assembly requested the Secretary-General of the United Nations Conference on Trade and Development to designate independent eminent persons to examine and report on commodity issues, including the volatility in commodity prices, the declining terms of trade and the impact that these have on the development efforts of commodity-dependent developing countries. That group of 15 members from diverse backgrounds and with diverse affiliations has, on the basis of frank, open and in-depth analysis and discussion, come up with 15 realistic, practical and focused recommendations. The recommendations — in three broad categories, dealing with short-term, medium-term and long-term solutions, and addressed to clearly identified audiences and institutions — highlight the following priorities: first, enhanced, equitable and predictable market access for commodities of key importance to developing countries, which has much to do with trade negotiations; secondly, addressing the problems of oversupply, which include not only subsidies, but also gains in productivity; thirdly, making compensatory financing schemes user-friendly and operational; fourthly, strengthening capacity and institutions; and fifthly, pursuing possibilities for the creation of a new international diversification fund so as to address that problem with adequate financing.

The Trade and Development Board of UNCTAD considered the report of the independent eminent persons on 17 October 2003. In the debate, there was complete unanimity of views on the urgent need to reach a solution to the commodities problem. Many speakers also felt strongly that that issue deserved the attention of the World Trade Organization and that an early resumption of the Doha round could offer a concrete opportunity to deal with the commodities question, especially in areas such as the removal of trade-distorting subsidies and other trade practices that adversely affect agricultural market access. It was also recognized that the work required to effectively address the commodity question involves many institutional players, including UNCTAD, on analysis of commodity trends and capacity development; the International Monetary Fund and the World Bank, on compensatory financing; the Food and Agricultural Organization of the United Nations, the Common Fund for Commodities and the United Nations Industrial Development Organization, on diversification; the International Trade Centre, on export promotion; and the major private-sector players in commodity markets, on issues of fair trade.

This morning, I reported to the Second Committee on all those aspects and emphasized the need to maintain high visibility and a high profile for the commodities issue until lasting solutions are found. I stressed that action on the recommendations of the independent eminent persons group should be initiated immediately and that the forthcoming UNCTAD XI should be utilized to add impetus to that work and to further strengthen UNCTAD's capacity to fully implement the aspects of the recommendations that fall under its mandate.

In conclusion, I urge the Assembly to help in every way possible to break what has been called the conspiracy of silence on the long-time suffering of commodity-dependent countries. It is easy to advise those countries simply to allow the forces of the market to take their course. That type of attitude would, however, not be consistent with the realities of policies that many countries apply, wrongly or rightly, to their own commodity sectors. The reason why we insist on a quest for solutions to the problems of commodity-dependent countries is that it is an international issue, and the countries concerned do not have the capacity to make the painful adjustments that are required to restructure their economies without international support. Therefore, this is an issue on which especially developed countries must muster the political will to act in good faith. The report of the independent eminent persons group represents innovative and fresh proposals — drawing on long experience and recent

trends in the multilateral trading system — that should form the bedrock of such action.

The President: The Assembly will now hear an address by the President of the Republic of Uganda.

Mr. Yoweri Kaguta Museveni, President of the Republic of Uganda, was escorted into the Conference Room.

The President: On behalf of the General Assembly, I have the honour to welcome to the United Nations His Excellency Mr. Yoweri Kaguta Museveni, President of the Republic of Uganda, and to invite him to address the Assembly.

President Museveni: My presence here is a happy accident; I was here for another purpose, and it was suggested that I might like to address this powerful body. I had not prepared a written speech, but, since this a topic with which I am very familiar, I quickly jotted down a number of points that I will share with the Assembly. Furthermore, I recently addressed a conference in Tokyo, Japan, on a topic similar to that which the Assembly is discussing, and that statement will be distributed to members.

I understand that commodities have a Christian name. The Christian name is "raw materials". Normally, in our part of the world, you have a surname, and then there is a Christian name, or a Muslim name if you are a Muslim. That is why I am called Yoweri Museveni. My surname is Museveni, Yoweri is the Christian name. So, the Christian name of commodities is "raw materials", because I do not see a people referring to fabric as commodities.

When we talk of textiles, the word "commodities" is not used. When we talk of cars, we do not use the word commodities. That word mainly refers to minerals and other natural products, which are not processed. Now I have not read the report of the eminent persons, so I do not know how they define commodities, but my understanding of commodities is unprocessed raw materials to be used in manufacturing.

Producing raw materials is not a mistake. The mistake is to rely solely on raw materials for your future — that is where the mistake is. Raw materials are necessary, they are precious, they are the basis of industrialization, but the mistake of those 95 countries — the examples that were talked about, including mine — is to rely solely on exporting raw materials. That is where the mistake is.

The mistake is in two parts: first, to depend solely on exporting raw materials and secondly, not to add value to them. When you make the two mistakes, what happens? You suffer in four ways. First, you get a tenth of the value of your product. Uganda produces most of the raw materials we are talking about: cotton, coffee, tea, tobacco, minerals — we produce all that.

Let us take the example of cotton. There are many stages in cotton production. First you grow the cotton. Once you have harvested it, the next stage is to gin it. Ginning means you remove the seeds from the cotton, and you have what is called lint cotton. The next stage is spinning, to turn the cotton into yarn. After that is weaving, to produce a fabric. The next stage is finishing, making printings and all that. The next stage is tailoring to produce a garment like those all of us here are wearing.

Uganda, in the past, has ended its contribution to the cotton product at ginning. So Uganda has been exporting lint cotton, the cotton after the seeds are removed. What does that mean? I normally hear people are talking of donor countries, and I do not know what is the opposite of donor. The opposite of donor must be "donee", the one who gets donations. Because if there is a donor, there must be a "donee".

As a matter of fact, the "donees" are actually the donors. African countries, including my own, are big donor countries, but they are donors in ignorance; they do not know that they are donors. How are they donors? How is my country a donor?

If, as we have been doing much of the time, we export the cotton in the lint state, after the seeds are removed, according to present-day prices, we get $1.20 per kilogram. If that kilogram is turned into yarn, if someone does the spinning, the value goes up three times. So, if we got $1.20, we would now get $3.60. If that yarn is woven, the value goes up six times. If it is tailored to produce a garment, the value goes up ten times. So while we get $1.20 by exporting the lint cotton, if we process it through all stages to produce a garment, we get $12 or $15 from the same cotton.

So therefore, when we export cotton as lint, what are we doing? We are a donor, a mega-donor — not even a small one, a mega one. We are donating, I think, three or four things. First, we are donating $9 or $10 for every kilogram of cotton we export. We are donating it to other people, those who do the value addition. We get one tenth of the value of our

product — that is number one — so we are a donor of money.

All those African countries, many of them are donors. They are donating money. Not only that, they are donating jobs, because if we export cotton as lint, who will do the spinning? It will not be my sister, it will not be my son; it will be somebody else. Who will do the weaving? It will be somebody else. Who will do the finishing of the cotton? It will be somebody else. Who will do the tailoring? It will be somebody else. So those countries are actually donors of money and donors of jobs. That is why there are no jobs in Uganda or all these other countries. That is the reality.

Coffee is the same story. In 1986, Uganda was one of the four biggest exporters of coffee in the whole world, after Brazil, Viet Nam and Colombia. In 1986, we were exporting 2 million 60-kilogram bags of coffee. At that time in 1986, we were earning $500 million from the 2 million bags. We are now exporting 4 million bags, so we have doubled our export volume. But we are getting $126 million. The harder we work, the less we get. That is the law of raw materials — what you call commodities. Yes, the harder we work, the less we get. But is the price of coffee in the world going down? Is the person in New York paying less for coffee? Not at all. The price for the final consumer is instead going up.

What proof do I have? Five years ago, the world's coffee business totalled $55 billion. Out of that $55 billion, the coffee-exporting countries — the Ugandas, the Brazils and the Viet Nams — were getting $8 billion. The total business was worth $55 billion, but the ones growing the coffee were getting $8 billion. That was about five years ago.

What is the situation now? The coffee business in the world is now $71 billion. It has gone up. But how much are the Ugandas getting? They are getting $5 billion. The price to the consumer is not going down; it is going up. The one who is getting less is the primary producer.

Who, then, is the donor, and who is the recipient? Uganda is, in fact, among the donors, and has been persistently, but ignorantly, donating money and jobs to other people.

Of course, we also donate taxes, because, if spinning is done in Uganda, that would mean that my people were employed in spinning. Others might be employed in weaving. Once they are employed, they get income. Once they get income, they can be taxed, in the form of income tax. My girls will buy more perfume and shampoo, and each of those canisters of shampoo has a tax on it — so the Uganda Government would get more taxes if the spinning were done in Uganda.

I do not know what the Eminent Persons recommended. I have not yet read their report. But I do not like sentimentalism. Sentimentalism will not help us. Raw materials must go down in price no matter what. That is a law of nature. There is nothing we can do with regard to raw materials; they will continue to go down in price. Why? There are three reasons.

The first reason is that, as technology changes, some of those raw materials are no longer needed or are needed in smaller quantities. One example is copper. In the 1960s, a number of African countries, including Uganda, were very prosperous, thanks to the high price of copper; they were getting a great deal of money from copper. At that time, copper was being used to make telephone wires and electric equipment. Then technology changed, and telephones could be made with less copper. Demand declined, and the price of copper collapsed.

What to do, then, if technology has changed and there is not so much demand for copper? Are you going to arrest people and force them to use copper, even when they no longer need it? Who needs to change? The users of copper or you? You are the producer of copper, and you should be the one to change, to adjust, instead of just sitting down and thinking that the world owes you a living. That is one reason why the prices of what you call commodities go down. They go down because science and technology change, and therefore there is either no demand, or less demand, for a particular commodity.

The second reason is oversupply. It so happens that these commodities, as you call them, are low-technology products. Anyone in the tropics can produce coffee, from Colombia to Viet Nam, to Uganda and through much of Africa. There is therefore an oversupply because coffee is very easy to produce.

There is a third reason, and maybe that is where the United Nations could help us. The third reason is the subsidies of the United States, the European Union, and Japan.

As you can see, I am not very young. I have been around for some time. In 1955, when I was in third grade, I was told that the greatest exporter of beef in the world was Argentina, and that the greatest exporter of wheat in the world was Argentina. What happened to Argentina as a major beef exporter? Protectionism in Europe, the United States and Japan has closed us out of those markets. I produce a lot of beef myself — very good beef, very healthy — but I cannot export it to many of those countries because of their protectionism.

If, therefore, the third-world countries cannot export beef, milk or sugar because of protectionism, what do they do? They all crowd into the export of coffee, because coffee is the only product with respect to which there is no rivalry between us and the countries of the North. That is one of the reasons for the overcrowding in the coffee business, because coffee is the only window — one of few windows; I think the other one might be tea — where there is no competition between what we export and what is produced in the European Union and the United States.

Maybe, from this angle, if there were no subsidies for products in the United States, Europe and Japan, it would be possible for us to spread out. Instead of all of us crowding into coffee, we could go to beef, and others could go elsewhere. There would be more spreading out.

What is the solution? I see two.

I heard what the Assistant Secretary-General said — diversification. As a number of people have noted, it is true that Uganda has diversified. We produce a lot of things — fish, cotton, and, of course, flowers. I did not know that people exported flowers, because we in the tropics take flowers for granted. One does not bother with flowers. But when we heard that flowers were an export, we started to export them.

Indeed, although we are in all those sectors, we get very little in each one — except for flowers and fish, because there we have a direct link with the final consumer. We process the fish and sell it to the supermarket — and we get a reasonable price. But we do not get much for the other products, which we export as raw materials — even if we diversify. So is diversification the answer? Perhaps it is a partial answer. The real answer involves not only diversification, but also transformation — another word that I would like to introduce. Instead of just diversifying, I say we should transform our economy so that it adds value to the raw materials. We should cut out the middleman and link up with the consumer.

If I add value to coffee — if, instead of just exporting the berry after removing the husk, I roast and grind it — I will get six, seven, eight — even 10 — times as much as I get for just removing the husks. My proposal, therefore, is that countries should add value to their products. They should stop exporting materials in their raw form and should add value. The fund that is being talked about should be a fund aimed at transforming the problem, not just at ensuring diversification so that we get richer in cotton, in coffee or in leather. No — we should transform, and add value. That is my own view.

But how would that be possible? It would be possible if we gained access to the big markets of the West. The West has big markets. There are 290 million people in the United States; we Africans are 800 million. Our population is about three times the size of the population of the United States. But what is the market of the United States? It is $11 trillion. What is the market of the whole of Africa? It is $500 billion. In other words, those 290 million people consume 21 or 22 times as much as the 800 million people of Africa. Why are we consuming so little? Because we have no money in our pockets. It is not that we do not the stomach — we have the stomach to eat. But we do not have the money to buy. Why does someone not have money to buy what he wants, or to buy it in sufficient quantities? Because he has no job, he is not working. Remember, the job was donated. If you donated a job, you now do not have a job. Since you do not have a job, you have no money — and if you have no money, you cannot consume. So it is a vicious circle. You cannot consume, because you have no job.

But what do we do to create jobs for these people — for these 800 million Africans? If you buy what they produce, especially if you buy — not the raw material, but the finished product — you will be helping Africans in a number of ways. First, they would get jobs — spinning or weaving, to refer to my earlier example of cotton, although that model can be replicated across the board. Once they had jobs, they would have money; and once they had money, they would consume. You would find that the African market was also empowered, and that would be advantageous to the United States, Europe and Japan, because they would then export back to Africa, and Africa would be a very big market for them. In fact, it

could be said that Africa is the last emerging market. We have been talking about emerging markets. All those 800 million people are waiting to buy on a big scale — to buy televisions, more textiles, more food for themselves.

I would like to provide an example of what I am talking about. Uganda produces a lot of milk from cows. In fact, we now have an over-supply of milk, and nowhere to send it. According to the World Health Organization, each one of us is supposed to drink 200 litres of milk per annum to take care of our bones and to make sure that our teeth do not fall out. But how much milk are Ugandans currently consuming? They are consuming only 30 litres per annum. That is why we have a number of dental problems — because we do not drink enough milk. Why are Ugandans drinking only 30 litres of milk? It is not that they do not like milk, but that they do not have the money to buy it. So we have a problem. There is over-supply and under-consumption of milk in the same country. All of that is because there are no jobs.

I apologize for coming here in such an impromptu manner — but no harm done. It has been good to have a chat. I would like to conclude by saying that, in my view, the way to solve the problem of raw materials is to transform the economies that depend on raw materials so that they become industrial economies. Before coming here, I tried to remind myself of my old economics studies and the evolution of economic thought. Many years ago — about three centuries ago — there was a school of economic thought, in France in particular, known as the physiocrats. This was at a time when economic thought was evolving. Originally, there were the bullionists, who believed in amassing gold and so forth, and the mercantilists, who believed in trade. Then a school of thought emerged in France called the physiocrats, and for some time they were in competition with the mercantilists — until Adam Smith came along and helped to advance the knowledge of economics when he pointed out the need for, in particular, specialization and the division of labour.

Now it seems that we in Africa are still behaving as if we were the physiocrats of 300 years ago — a long time ago. Because you cannot have an economy that is based on agriculture alone — on raw materials, agriculture and, to some extent, minerals. That is a big mistake. We must have an integrated economy based on industry, agriculture and mining, linked together and producing for the export of goods and services. That is what we need. We need diversification, but that diversification must lead to the transformation of our economies.

The President: On behalf of the General Assembly I wish to thank the President of the Republic of Uganda for the statement he has just made.

Mr. Yoweri Kaguta Museveni, President of the Republic of Uganda, was escorted from the Conference Room.

The President: I sincerely wish to thank the President of the Republic of Uganda for his enlightening and thought-provoking presentation on the issue of commodities, which is so critical to the well-being of the developing world. He spoke eloquently, openly and frankly about the vicissitudes and changes that commodity-dependent countries face. But importantly, he also commented on what was needed to redress the situation.

The President made an interesting point which developing countries, particularly small countries like mine, need to take into consideration: diversification alone, can get us nowhere. Diversification with a view to transforming an economy is what will eventually lead us out of the box that we find ourselves in. He also made an interesting point that it is about time that we saw ourselves differently. He pointed to the concept of value-added and what that means, which, to our peril, is something we have ignored for years — even centuries.

As we discuss this issue at this particular time, we must go beyond traditional ways of thinking about solutions to the problem; we must think more independently in terms of how we can take ourselves out of this morass.

I am certain the United Nations will remain seized of this issue to ensure that developing countries will not be compelled to continue to run faster and faster in order to remain in the same place, to remain at the same level, or rate of development, due to factors beyond their control.

Let me thank other members of the panel, the Deputy Secretary-General and the President of the Trade and Development Board of the United Nations Conference on Trade and Development for their invaluable contributions. I would also like to thank the Chairman of the Second Committee for being present

at these proceedings and commend him for the continued valuable work that he is doing in the Committee.

Thank you all very much for your presence, and God bless.

The meeting rose at 5.45 p.m.